

## Message Text

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ACTION EB-07

INFO OCT-01 AF-08 EUR-12 EA-07 ISO-00 SP-02 USIA-06 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /102 W

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R 181500Z AUG 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9207

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY BERN

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 6935/1

DEPT PASS COMMERCE, EXIM, TREASURY

E.O. 11652: GDS (12/31/82)

TAGS: ECON EFIN CG

SUBJ: ZAIRE'S BALANCE OF PAYMENTS PROJECTIONS - 1976

REF: A. KINSHASA 6873, B. KINSHASA 6820, C. STATE 190594,

C. KINSHASA 11092 (1975)

1. THE FOLLOWING TABLE CONTAINS OUR BOP PROJECTIONS FOR ZAIRE DURING CY 1976 AND UPDATES REFS B AND D. THESE FIGURES CONTAIN MANY UNCERTAINTIES DUE TO THE DEARTH OF DATA AVAILABLE HERE, AND COMMENTS ARE WELCOME FROM ANY ADDRESSEE. WE HAVE USED THE SAME FORMAT AS IMF REPORT NO. EB/76/129 TO SIMPLIFY COMPARISONS. PARAS 2-10

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SHOULD BE REGARDED AS ANCILLARY MATERIAL TO THE TABLE. ALL AMOUNTS

SHOWN IN THE TABLE ARE US \$MILLION.

| BALANCE OF PAYMENTS |        |       |         |
|---------------------|--------|-------|---------|
|                     | CREDIT | DEBIT | BALANCE |
| MERCHANDISE         | 1000   | 1000  | 0       |
| COPPER              | (625)  | --    | --      |
| SERVICES            | 148    | 405   | -257    |
| OTHER TRANS         | (30)   | (18)  | (12)    |
| TRAVEL              | (6)    | (13)  | (-7)    |
| INV. INC.           | (0)    | (74)  | (-74)   |
| OTHER GOVT, OTHER   |        |       |         |
| SERVICES            | (112)  | (300) | (-188)  |
| TRANSFERS           | 52     | 104   | -52     |
| PRIVATE             | (45)   | (96)  | (-51)   |
| PUBLIC              | (7)    | (8)   | (-1)    |
| CURRENT ACCOUNT     | 1200   | 1509  | -309    |
| CAPITAL             | 237    | 77    | 160     |
| GOVT.               | (74)   | 0     | (74)    |
| ARREARAGES          | 0      | (50)  | (-50)   |
| IMF                 | (163)  | (27)  | (136)   |
| TOTAL               | 1437   | 1586  | -149    |

2. MERCHANDISING ACCOUNT. (A) CREDITS: COPPER IS ESTIMATED TO EARN ZAIRE GROSS RECEIPTS OF ABOUT \$625 MILLION (415,000 MT AT \$0.67). SEE REFS A AND B FOR DETAILED DISCUSSION. THE REMAINDER OF ZAIRE'S EXPORTS ARE PROJECTED AT ABOUT THE SAME LEVEL AS LAST YEAR; COBALT EXPORTS MAY BE DOWN, BUT PRICE RISES SHOULD BALANCE COBALT EARNINGS; COFFEE EARNINGS SHOULD BE UP, BUT COTTON AND PALM OIL EXPORTS HAVE VIRTUALLY CEASED.

(B) DEBITS: WE ESTIMATE CIF IMPORTS OF \$1,000 MILLION DURING 1976. DURING ITS LAST TRIP THE IMF WAS REPORTEDLY UNHAPPY WITH THE LOW LEVEL OF IMPORTS WHICH HAD BEEN MADE UP TO THAT TIME. WE HAVE SINCE FOUND LITTLE EVIDENCE OF REORDERING AND DOUBT, GIVEN THE LEAD TIMES REQUIRED, THAT MERCHANDISE IMPORS WILL RISE SIGNIFICANTLY, EVEN THOUGH A HIGHER LEVEL WOULD BE REQUIRED FOR ZAIRE TO ACHIEVE A POSITIVE GROWTH RATE. IN ANY EVENT, THE IMPORTS WILL BE A RESIDUAL OF THE FOREIGN EXCHANGE AVAILABLE; IF THE BOP DEFICIT OF 149 MILLION SHOWN IS NOT MET IN ONE WAY OR ANOTHER IMPORTS AND/OR DEBT SERVICE COULD SUFFER EVEN MORE SEVERLY THAN SHOWN IN THIS TABLE.

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3. OTHER TRANSPORT: (A) CREDIT: WE DO NOT AGREE WITH THE IMF'S ESTIMATE OF AN INCREASE IN 1976 INCOME BY ZAIRE'S TRANSPORTATION COMPANIES FROM \$30 TO \$40 MILLION. WE REGARD THE \$30 MILLION FIGURE FOR 1975 AS LIKELY TO BE REPEATED IN 1976. (B) DEBIT: IN 1975 TRANSPORT COSTS DROPPED FROM \$25 MILLION TO \$18 MILLION. WE IMAGINE THAT THERE IS UNLIKELY TO BE A FURTHER DROP, AS WE HAVE NOT HEARD OF SIGNIFICANT REDUCTION IN TRAFFIC. THEREFORE, WE PROJECT 1976 TRANSPORT COST AT \$18 MILLION. (INCREASED FREIGHT COSTS OF IMPORTS

ATTRIBUTED TO CLOSURE OF BENGUELA RAILROAD WOULD APPEAR IN MERCHANTS ACCOUNT.)

4. TRAVEL. (A) CREDIT: WE AGREE WITH THE IMF'S ASSESSMENT OF \$6 MILLION FOR EARNINGS, AS WE EXPECT THE LEVEL OF TRAVEL TO AND IN ZAIRE TO BE COMPARABLE TO LAST YEAR'S FIGURE. (B) DEBIT: TRAVEL EXPENDITURES BY ZAIRIANS ABROAD FELL FROM \$26 MILLION IN 1974 TO \$13 MILLION IN 1975, WHICH WAS ALSO THE 1973 LEVEL. WE IMAGINE THIS TO BE A PRETTY BASIC FIGURE AND THEREFORE HAVE POSTED THIS ACCOUNT AT \$13 MILLION.

5. INVESTMENT INC. (A) CREDIT: SINCE THERE ARE ALMOST NO FOREIGN EXCHANGE FUNDS HELD OUTSIDE THE COUNTRY, INTEREST FROM THESE SOURCES IS NEGLIGIBLE. (B) DEBIT: THE IMF POSTULATED \$154 MILLION, \$130 OF WHICH WAS TO BE INTEREST PAYMENTS, UNDER THE IMF'S PROPOSED RESCHEDULING. ACTUAL RESCHEDULING REDUCED INTEREST PAYMENTS REQUIRED FROM THE GOZ TO AROUND \$60 MILLION. WE PROJECT THE OTHER PAYMENTS INCLUDED IN THIS ACCOUNT TO DROP ALSO, SO WE ESTIMATE TOTAL PAYMENTS OF \$74 MILLION.

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INFO OCT-01 AF-08 EUR-12 EA-07 ISO-00 SP-02 USIA-06 AID-05

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R 181500Z AUG 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9208

INFO AMEMBASSY LONDON

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C O N F I D E N T I A L SECTION 2 OF 2 KINSHASA 6935/2

DEPT PASS COMMERCE, EXIM, TREASURY

6. OTHER GOVT AND OTHER SERVICES. (A) CREDIT: THE IMF ESTIMATED 1976 CREDITS ON THIS ACCOUNT OF \$112 MILLION, ONLY SLIGHTLY BELOW 1975 LEVELS; WE HAVE NO REASON TO DIFFER. (B) DEBIT: THE IMF POSITED \$230 MILLION IN THIS ACCOUNT, A MINIMAL REDUCTION FROM 1975'S \$241 MILLION. WE HAVE HEARD FROM RELIABLE SOURCES THAT THESE ACCOUNTS, WHICH INCLUDE GOVT'S PAYMENTS FOR SERVICES RENDERED, AS WELL AS PURCHASES FRO THE ARMED FORCES, HAVE GROWN SUBSTANTIALLY, SO WE HAVE ESTIMATED \$300 MILLION, A GROWTH OF ABOUT \$5 MILLION PER MONTH IN THIS CATEGORY.

7. UNILATERAL TRANSFERS. (A) PRIVATE: WE HAVE NO REASON TO DIFFER  
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WITH THE IMF FIGURES. (B) PUBLIC: WE DO NOT FORESEE THE SHARP DECREASES IN THESE ACCOUNTS WHICH THE IMF DOES. THIS ACCOUNT DEALS, ON THE CREDIT SIDE, PRIMARILY WITH GIFTS FROM FOREIGN AND PUBLIC SOURCES; ON THE DEBIT SIDE, IT SHOWS CONTRIBUTION TO INTERNATIONAL OR G-ANIZATIONS. THEREFORE, AS '74 AND '75 FIGURES WERE IDENTICAL, WE ESTIMATE A LIKE AMOUNT FOR '76.

8. GOVT CAPITAL. (A) CREDIT: THE US HAS SO FAR PROVIDED ASSISTANCE OF \$56 MILLION WITH PL480, CCC, AND CIP; THE EEC HAS PROVIDED \$18 MILLION BOP ASSISTANCE. WE HAVE NOT INCLUDED THE PROPOSED \$20 MILLION EXIM LOAN TO GECAMINES, SINCE THERE IS AN UNFULFILLED CONDITION PRECEDENT TO ITS IMPLEMENTATION. THUS, THESE FUNDS COULD BE RECEIVED EITHER IN 1976 OR 1977. ALSO, WE HAVE NOT INCLUDED A \$7.5 MILLION BELGIAN ASSISTANCE TO THE TRANSPORT SECTOR (PRI-MARILY ONATRA) WHICH APPEARS TO COMBINE BOTH PROJECT AND BOP MONIES. (B) DEBIT: NO CAPITAL PAYMENTS DUE DURING 1976 ACCORDING TO TERMS OF PROCES-VERBAL SIGNED IN PARIS IN JUNE.

9. ARREARAGES. THE IMF ESTIMATED \$70 MILLION WOULD BE PAID TO REDUCE ARREARAGES. WE KNOW OF SOME PAYMENTS BUT DOUBT THESE PAY-MENTS WILL EXCEED \$50 MILLION.

10. IMF DRAWINGS. (A) CREDIT: IN MARCH THE IMF APPROVED DRAWINGS OF ABOUT \$163 MILLION; ONLY THE STAND-BY ARRANGEMENT OF ABOUT \$48 MILLION HAS NOT YET BEEN DRAWN. (B) DEBIT: ZAIRE HAS REPURCHASE REQUIREMENTS OF AROUND \$25 MILLION DURING 1976 ON THE 1972 COMPEN-SATORY DRAWING. OTHER PAYMENTS COULD RAISE THE TOTAL, SO WE HAVE ESTIMATED \$27 MILLION TOTAL PAYBACK DURING CY 1976.

11. LIKELY OUTCOME: THIS PROJECTION OF ZAIRE'S 1976 BOP SHOWS A \$149 MILLION DEFICIT, WITH IMPORTS POSTULATED AT THE VERY LOW FIGURE OF \$1,000 MILLION (CIF). ZAIRE, HOWEVER, HAS VIRUTALLY NO RESERVES WHICH COULD BE USED TO COVER THIS DEFICIT. THEREFORE, EITHER MORE FOREIGN ASSISTANCE MUST BE FORTHCOMING; OR ZAIRE WILL HAVE TO REDUCE ITS PROJECTED \$1,509 MILLION EXPENDITURES ON THE CURRENT ACCOUNT TO \$1,360 MILLION; OR SOME COMBINATION OF THE TWO WILL TAKE PLACE. THIS LOWER 1,360 MILLION IMPORT FIGURE WOULD SIGNIFICANTLY IMPEDE RESTORATION OF THE ECONOMY. MOREOVER, IF PAST EXPERIENCE IS ANY GUIDE, ZAIRE WILL BE TEMPTED TO REDUCE PAYMENTS ON ITS REMAINING DEBT SERVICE OBLIGATIONS, AS A MAJOR  
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PART OF ANY CUT IN FOREIGN EXPENDITURES.

12. AUG 18, CHARGE REVIEWED PRECEDING BOP ESTIMATES WITH CENTRAL BANK GOVERNOR SAMBWA WHO NOTED THAT IMPORTS COULD BE EVEN LOWER THAN WE ESTIMATED AND SERVICES HIGHER, BUT THAT HE WAS IN AGREEMENT WITH OUR ESTIMATE AS TO THE LIKELY DEFICIT.  
WALKER

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